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Trust and control across three emerging economies

Wittmann Zhang, Xinhua ; Schenker-Wicki, Andrea

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Trust and control across three emerging economies

Xinhua Wittmann¹

Department of Business Administration

University of Zurich

Plattenstrasse 14

8032 Zurich

Switzerland

xinhua.wittmann@business.uzh.ch

Andrea Schenker-Wicki

Department of Business Administration

University of Zurich

Plattenstrasse. 14

8032 Zurich

Switzerland

andrea.schenker@business.uzh.ch

¹Corresponding author

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Abstract

What produces trusting behaviour amongst managers? And how does trusting behaviour influence the exercise of organizational control? This paper attempts to answer these two questions in the context of China, Russia and Vietnam. With the reference to the construct of trust in employment relationships as developed by Tzafrir and Dolan, three dimensions of trust are examined empirically by means of survey data collected from managers in banking sector of respective countries. Statistical analyses reveal that the trust variables do not load equally well on the subscales of trust across the three countries. As a consequence, we propose a composite construct to characterise managers' trusting behaviour. Based on control theory, four control modes are determined and their relationships with trust are investigated. Results indicate significant differences in terms of trust-control nexus between the three countries. We conclude by emphasizing the need for further research on culture-bound trusting behaviour, particularly in emerging societies.

Introduction

As business has become more internationalized, an increasing demand for flexibility and localization of management has limited the effectiveness and efficiency of monitoring and other forms of formal control (Bijlsma-Frankema and Costa, 2005). Consequently, the role of trust-building between cooperating partners has attracted greater attention, both in management literature and in international business practice. The need is to find optimal approaches to manage the performance of employees in the various countries in which an organization operates.

Where a company has expanded its business locally, it is comparatively straightforward for management to adjust to differences of corporate governance. In intercultural settings, however, this is more time-consuming and troublesome (Adler and Gunderson, 2008; Pudelko and Harzing, 2008). Scholarly studies have shown that, because of differences in such factors as macro-level institutional and economic systems and socio-cultural values, the nature and the quality of trust, the determinants of trust, and the consequences of trust vary across national borders (Bachmann, 2010; Ferrin and Nicole, 2010). Therefore, managerial best practice should be seen as relative to country-specific context.

This paper aims to contribute to trust research by focusing on the relationship between trust and organizational control in countries where organization research is still in its infancy. Specifically, we investigate the behaviour of managers in state-owned banks in China, Russia and Vietnam. From the perspective of management of international business, this study seeks to provide evidence-based knowledge on the construct of trust and its effects on control in organizational settings.

China, Russia and Vietnam merit comparative study for several reasons. The three countries have distinctive traditions and histories, yet are similar in many ways. All share a communist legacy, have undergone transitions from centrally planned systems to market-oriented economies, and are catching up with developed Western economies. All have large populations and rapidly growing import and export capacities. All are popular destinations for foreign direct investment and multinational companies. A number of intercultural challenges facing foreign firms from developed countries doing business in emerging countries have been identified and have become important topics both in scholarly debate and in management practice (Barnes et al., 2011; Child, 1994; Fey and Denison, 2003; Fey and Shekshnia, 2011; Meyer et al., 2006; Warner, et al. 2005; Luo and Shenkar, 2011).

The remainder of this paper is structured as follows. We begin with a review of trust and the construct of trusting behaviour. Next we verify four different control modes that rest upon control theory, followed by the debate about the conceptual relationship between trust and control. We then apply Hofstede's culture model as the basis for comparative management to underpin our research questions. Next we describe our research method, consisting primarily of a survey questionnaire, and present empirical findings and statistical evaluation results on the construct of trust and its relationships with different modes of control. In the final section, we discuss the implications of this study, outline its limitations, and suggest future research opportunities.

Trust and Trusting behaviour

In the literature, two types of trust are distinguished: interpersonal trust, which refers to trust between people, and institutional trust, which refers to people's trust in the functioning of organizational, institutional and social systems. In this paper, we restrict our attention to interpersonal trust.

Interpersonal trust has become an important subject in organization studies in response to the increased pace of business internalization. It is widely acknowledged that trust represents a critical variable that influences a broad range of organizational behaviour and thus impacts on organization performance, effectiveness and efficiency (Kramer and Tyler, 1996; Mayer et al., 1995).

There is no clear consensus on the definition of trust. Scholars have, however, little disagreement about the consequences of trust. Three main characteristics of trust have been identified in the context of organization studies. The first such characteristic is the positive expectations over time regarding another's conduct (Lewicki et al., 1998; Rotter, 1980). The second involves the willingness to take risks associated with the type and depth of the interdependence within a given relationship (Sheppard and Sherman, 1998). The third characteristic is the limited ability to monitor the behaviour of another party (Mayer et al., 1995; Zand, 1972). To reflect the three principal considerations, Tzafrir and Dolan (2004) defined trust as a willingness to increase one's resource investment in another party, based on positive expectation, resulting from past positive mutual interactions.

In line with this conceptual construct, the conditions under which interpersonal trust develops have been studied intensively over recent decades. The earliest research by Kee and Knox (1970) claimed competence and motives are the substantial variables of trust. Other research revealed the following trust-relevant factors: availability; competence; consistency; discretion; fairness; integrity; loyalty; openness; promise fulfilment; and receptivity (Butler, 1991, Mishra, 1996). Mayer et al. (1995) distinguished three characteristics of trust, namely ability, benevolence and integrity. These have often been cited in recent literature.

Based on a critical review of previous theoretical and empirical investigation of the psychometric properties of trust in organizations, Tzafrir and Dolan (2004) redefined the construct of trust and developed a three-dimensional instrument for measuring trusting behaviour in manager-employee relationships in organizations. The validity of the new construct was assessed in the context of an employment relationship in Israel. The three dimensions consist of harmony, reliability and concern. These may be characterised as follows.

- *Harmony dimension*: a positive combination of abilities, feelings, opinions, purposes, and values. This dimension denotes shared values between involved parties and willingness to take risks. It represents an identification-based trust (Lewicki and Bunker, 1996).
- *Reliability dimension*: a trusting party expects the words and actions of the party to be trusted are consistent. Thus this dimension of trust implies systematic and consistent procedures and behaviours, which make one party beholden to the other to keep and fulfil promises and commitments (Butler, 1991).
- *Concern dimension*: having a positive orientation and motives for protecting and making the trusting party 'look good'. Thus self-interest is balanced by interest in the welfare of others (Mishra, 1996).

While trust involves a willingness to render oneself vulnerable, and implies the intention to act in a trusting manner, trusting behaviour is the likely outcome of trust (Dietz, et al., 2010). In the present paper, we apply scales of the three dimensions of trust to characterise managers' trusting behaviour vis-à-vis employees in large state-owned banks in China, Russia and Vietnam.

Control theory and trust-control nexus

Control has been a central notion in management and organization studies (Pennings and Woiceshyn, 1987). Organizational control was viewed as creating and monitoring rules through a hierarchical authority system (Ouchi and Maguire, 1975). This can mean any attempt to motivate individuals to behave in consistence with organizational goals (Kirsch, 2004). Prior research has distinguished four modes of control, namely input control, behaviour control, output control, and social control (Ouchi, 1977, 1979; Snell, 1992). Forms of input control include employee selection and training, which are seen as important formal bureaucratic mechanisms in human resource management (Snell, 1992). Behaviour control and output control are usually characterized as formal approaches explicitly formulated in written form (Jaworski, 1988). The former focuses on the monitoring of activities and regulation of actions that employees exhibit on the job, while the latter is an output-oriented approach (Merchant and Van der Stede, 2003). Social control is heavily ritualized and ceremonial. It tends to internalize organizational goals through the development of shared norms and values (Ouchi, 1980). The characteristics of each control mode are summarized in Table 1.

[Insert Table 1 about here](#)

The factors that influence the choice of control modes have been examined in several studies. According to Ouchi (1979), the use of control modes depends on ‘knowledge of the transformation process’ and ‘the ability to measure outputs’. For instance, if organizations have perfect knowledge of the work process but the measurability of outputs are low, they can apply behaviour control by defining precise behaviour codes. If the knowledge of the transformation process is imperfect yet the desired results are clear, they can adopt an output control strategy by specifying outcome measures. When neither behaviour nor short-term output can reasonably be measured (as is often the case in, for example, a research laboratory), organizations have to rely heavily on ritualized informal control (Ouchi, 1977; Eisenhardt, 1985).

The size of the organization can also influence the use of control modes. In large firms with sophisticated technologies that are decentralised, strong formal behaviour and output controls are often used (Bruns and Waterhouse, 1975). Less formal controls are typical in smaller companies (Sitkin and George, 2005). Kirsch (2004) has reported that the control mode typically varies according to the phase of a project: informal control tends to be used during the initial phase of a project, while formal control typifies the development phase. Usually, organizations combine both formal and informal control in their management systems.

More recently, with an increased awareness of the positive role of trust in international business environment, on the one hand, and greater demand for compliance with regulatory norms and rules on the other, there is a growing research interest in the relationship between trust and control. A major focus of debate has been the question of whether trust and control are complements or substitutes (Dietz et al., 2010).

According to the complementarity thesis, trust and control co-exist. The explanation for this is that trust and control can be mutually reinforcing and contribute to the level of cooperation needed in a relationship (Velezet et al., 2008; Zucker, 1986). Proper control mechanisms may increase trust, because objective rules and clear measures help to build a ‘track record’ for people who do their jobs well (Sitkin, 1995). By examining the effects of control on trust and cooperation in collaborative settings, Coletti, Sedatole, and Towry (2005) provided evidence that formal and informal control can enhance the level of trust. Das and Teng (1998) argued that trust and control are parallel concepts in generating confidence

between partners in strategic alliances. In their study of sales people, Lambe, Webb, and Ishida (2009) also found complementary roles of control and trust.

According to the substitution thesis, trust and control are negatively correlated: low trust requires more control and high trust allows for a reduced level of control (Dekker, 2004). The logic here is that one cannot be said to trust another if one imposes controls as well (Schoorman et al., 2007). Such a detrimental effect of control on trust was established in some principal-agent experiments. For example, Falk and Kosfeld (2006) observed that control can be perceived as a form of distrust, hence reducing individual performance and giving rise to hidden costs.

To date, both theoretical research and empirical data have tended to support the complementary view of trust-control nexus (Costa and Bijlsma-Frankema, 2007). From contextual perspectives, scholars have emphasised the importance of the context on the dynamics of the trust and control interrelationship (Ferrin et al., 2007). Within organizations for instance, employees' trust in their managers may be undermined if they perceive that the superiors' monitoring is intended to control their behaviour (Etchegaray and Jones, 2001). However, if employees interpret their managers' monitoring as a demonstration of care and as a precondition to provide feedback on performance, and provide support and guidance, it will increase their trust in their managers (Bijlsma-Frankema and Van de Bunt, 2003).

In the present study, we bring the discussion a step further by viewing trust-control as interlinked processes in the contexts of China, Russia and Vietnam.

Research questions

In international comparative studies, national culture is often used as the basis to differentiate one society from another. Since the seminal work of Hofstede on national cultures and organizations (Hofstede, 1980, 1993, 2001), a large body of intercultural management literature has contributed to our understanding of country-specific organizational management and behaviour (Adler, 1983). It is widely agreed that culture 'is a system of values and norms that are shared among a group of people' (Hill, 2002). Culture defines for us 'what we pay attention to, what things mean, how to react emotionally to what is going on, and what actions to take in various kinds of situations' (Schein, 1997). Culture is the source of scripts for social interaction that implicitly guide everyday behaviour (Gibson et al, 2009). In a nutshell, culture determines in part how we think and what we do (Tinsley, 1998). Consequently, what we understand as fundamental to trust and what we consider trustworthy conduct from ourselves and from others are culture-bound (Zaheer and Zaheer, 2006). Since Doney, Cannon, and Mullen (1998) conceptualized cultural dimensions in relation to the formation of trust, several empirical studies have demonstrated that cultural dimensions such as power distance, individualism and uncertainty avoidance in Hofstede's culture model are particular crucial for the types of trusting behaviour (Dyer and Chu, 2000; Griffith et al., 2000; Thompson, 1996).

Power distance, according to Hofstede, is related to ways of coping with inequality. The key characteristic of this dimension is the extent of expectation or acceptance of centralized decision structures and authoritative leadership. Control implies power. A number of studies have proposed that low power distance fits with low centralization and formalization of organizational management (Dijke and Poppe, 2003).

Individualism vs. collectivism is related to the integration of individuals into primary groups. In an individualist society, individuals are each expected to look after themselves and to be independent. In a collectivist society, people are integrated into cohesive in-groups, which provide members with protection in exchange for loyalty. Individualism defines the

self as an autonomous entity independent of groups. Because in strong individualism cultures it is important to have considerable freedom to adopt one's own approach to the job, personal control from superiors can therefore have a negative impact. Several trust studies have shown that in highly collectivist societies, trust is assumed to be crucial only within defined local groups (especially the family) while trust in society as a whole is low (Child, 1998; Huff and Kelley, 2003).

Uncertainty avoidance is related to ways of dealing with uncertainty and ambiguity. In uncertainty-avoiding cultures, people feel uncomfortable in unstructured situations and have a psychological need for laws and rules. In a study of 12 EU countries Sondergaard (2006) has demonstrated a positive relationship between traditional tasks of management, such as formalization and direct supervision, and the degree of uncertainty avoidance.

Several re-examinations of Hofstede's original cultural dimensions (there were four dimensions in his original study, two more dimensions were added in the meantime) have suggested that cultural scores are not static and may shift over time. When political, social, and economic environments change, work-related values may also change (Fernandez et al, 1997; Tang and Koveos, 2008; Wu, 2006). Given the dynamics in all the sectors, especially the reform of banking system undertaken in the past two decades in China, Russia and Vietnam, for this study we replicated Hofstede's questionnaire in the banking sector of respective countries. The updated scores for cultural dimensions of the three countries are shown in Table 2. Here we can see that China and Russia sit higher in the rankings of power distance compared to Vietnam. Evidently, Russian employees are more individualistic than Chinese and Vietnamese. Vietnam exhibits stronger uncertainty avoidance.

Insert Table 2 about here.

In view of the cultural differences between China, Russia and Vietnam in terms of attitude towards power, individualism and uncertainty in the workplace, the questions guiding this study area follows:

Research question 1: To what extent does the construct of managers' trusting behaviour differ between China, Russia and Vietnam?

Research question 2: To what extent does the use of input control, behaviour control, output control and social control differ between China, Russia and Vietnam?

Research question 3: What is the specific pattern between trust and control in China, Russia and Vietnam? How do the patterns differ from each other?

Method

The three questions above were investigated by means of a questionnaire developed as follows.

Sample and procedure

For this comparative study, we conducted a survey using a combination of online and pen-and-paper formats. Our sample consisted of employees of state-owned banks. In China, three of the 'big four' banks branches in Qingdao City participated in the survey. These were China Construction Bank, Bank of China, and Agricultural Bank of China. In Russia, VTB and Sberbank participated in the survey. Both are state-owned and are leading players in Russian banking sector. Their branches in Moscow and in Vladivostok participated. In Vietnam, the data were collected among the students of an English EMBA programme in Finance offered in Ho Chi Minh City. Our strategy of restricting the sample to one industry had the advantage that it was not necessary to control for the level of technology in our empirical analysis: the

tasks performed by staff in each bank are comparable and the structure of the organizations very similar.

The questionnaire was developed in English and then translated into Chinese and Russian. In Vietnam the original English version was used. To check consistency of translation, reverse translations were performed by a third-party person: we verified that the essence of the questions was preserved. Only native speakers of the respective languages were involved in the preparation of the questionnaire.

The survey data were collected between July 2011 and November 2011. Through our networks in China and Russia we first contacted directors of the local branches of the banks. After obtaining their confirmation of co-operation, we personally delivered the questionnaire. This top-down approach produced high response rates – nearly 100% for the pen-and-paper format in Qingdao and in Vladivostok. The response rate for online format was 15%, mostly from banks in Moscow. The total numbers of usable questionnaire responses were 238 from China (of which 94 came from respondents in manager function), 147 from Russia (81 in manager function); and 93 from Vietnam (65 in manager function).

Variables

Here we distinguish the following variables: trust (in three dimensions); control (in four modes); and control variables.

Trust. The scales of managers' trusting behaviour in three dimensions were measured using the scales developed by Tzafrir and Dolan (2004). The reason for adopting this set of scales was two-fold. First, it is designed to measure manager-employee trusting behaviour in organizational contexts. Second it is based on the accumulated knowledge on organizational trust by providing additional evidence on the underlying structure of trust. To keep the questionnaire to an acceptable length (72 items in total), we used 11 items out from original 16 items on a 5-point Likert-type scale (from 1= strongly disagree to 5= strongly agree). These comprised four items for harmony dimension, four for reliability dimension, and three for concern dimension. Because we focus on managers' trusting behaviour, respondents with no subordinate were not included for the evaluation of trusting behaviour.

Control modes. The four control modes identified in this study were measured. In a similar manner to Kirsch (1996) and Snell (1992), we took composite measures to reflect the multidimensional nature of control. A 3-item measure for input control was developed by referring to the questions asked in Snell's study (e.g., employees receive substantial training before assuming responsibility). The 3-item behaviour control (e.g., performance evaluations, pay raises, promotions, and other tangible rewards given to employees is dependent on the degree to which they have followed existing written procedures and practices in the work place), while the 3-item output control (e.g., employee performance evaluation depends on results) was based on the measures used by Kirsch (1996). The 9-item construct to measure social control was originally developed to capture team-based group dynamics for IT software development management. According to Kirsch, when social control was in operation, goals were often unknown at the start of a project: they emerged only over time. Another aspect of social control consisted of shared values that were co-operative in nature. Because of the relatively high power distance and hierarchical structure in all the three countries investigated, goals are typically predefined by leaders in top management. In the present construct of social control we focused on the informal and direct influence of superior on employees' behaviours and organizational shared values. A 4-item scale was developed (managers' ideas or hopes of how tasks should be accomplished influence employees' behaviours). All statements were on a 5-point Likert-type scale (from 1= strongly disagree to 5= strongly agree).

Control variables. Respondents' age, gender, education, the number of direct reports, tenure, and the number of employees in a respondent's department of the local bank were taken as control variables.

Results

To test (a) whether the empirical measures from the three countries are consistent with the trust construct and (b) the extent to which the construct of managers' trusting behaviour is differentiated between China, Russia and Vietnam, we evaluated the survey responses using principle-components analysis with the help of SPSS 19 software.

The validity of the trust construct is only partially supported, as shown in Table 3. From Chinese samples, though the 11 items loaded on three factors, components grouped on each factor did not correspond to the subscales of the trust dimensions. Results were complicated by the fact that results from Russian and Vietnamese samples revealed four dimensions, rather than three, and components loaded on the same factor did not accord with the items underlying trust construct. Factor analyses show clearly that: (1) managers' trusting behaviour in the three countries were differentiated largely from the dimensions constructed by the scholars; and (2) the differences of managers' trusting behaviour between the three countries are greater than the similarities.

Insert Table 3 about here.

To solve the comparability difficulty, a composite construct was considered. Three steps were taken to determine the construct of trust that should cover the measures understood in all the three countries. We started with the process of reducing dimensions of each country's sample by using extraction method based on Eigenvalues greater than 1, eliminating components with less than .50 of communality. We then compared the remaining components among the three countries and retained the overlapping ones for checking internal consistency. In the final step we conducted reliability analyses by checking Cronbach alpha. In order to maximise internal reliability among the remaining components, the Cronbach alpha was determined by deleting single items. The procedures were repeated for the samples of the three countries till the maximum Cronbach alpha was reached for the remaining components which at the same time should have an initial Eigenvalue (Cumulative) more than 50%. As a result, eight components were extracted as the scales for a composite construct to characterize managers' trusting behaviour, as shown in Table 4.

Insert Table 4 about here.

The control modes loaded into four factors with relatively low cross-loadings for output and input control constructs. All the Cronbach alphas for the Chinese samples are greater than .70. For Russia, trust and behaviour control show a good consistency. However, for the Vietnamese samples all the Cronbach alphas are lower than .70.

To investigate the issues raised in research question 2, we examined the means of each control mode of the three countries on a 5-point scale with anchors from 1 (lowest) to 5 (highest). As shown in Table 5, in terms of formal control modes (i.e., input control, behaviour control and output control), Vietnam exhibits a significant lower level of control compared with China and Russia. For informal social control, China has a much higher level of social control than the other two countries. This table also shows the level of trust in composite form of each country. Vietnamese managers demonstrated a significant lower level of trust than Chinese and Russian managers.

Insert Table 5 about here.

To answer the research question 3, we produced bivariate correlations between research variables, as presented in Table 6, 7 and 8 respectively, and then performed hierarchical regression analyses for Chinese, Russian and Vietnamese samples respectively. The four control modes in Chinese banks exhibit strong positive correlations with trust. In Russian banks, we found that input control and behaviour control exhibit significant correlations with trust. In Vietnamese banks, in contrast, behaviour, output control and social control show positive correlations with trust.

Insert Table 6 about here.

Insert Table 7 about here.

Insert Table 8 about here.

Because some demographic variables demonstrate significant bivariate correlations with trust, as shown in Table 6, 7 and 8, we performed hierarchical regression in two stages. In the first stage, the five demographic variables were regressed on trust. In the second stage, input control, behaviour control, output control, and social control were entered into the equation.

Table 9 presents the findings of the hierarchical regression analysis. The coefficients for stage 1 indicate that female managers, compared with male managers, in Chinese banks exhibit more trusting behaviour to employees. In Vietnamese samples, age and female managers correlate negatively with trust. As the demographic variables explain very low levels of variance in trust (0.01 for China, -0.008 for Russia, and .105 for Vietnam), we need to explore other mechanisms accounting for trust. Stage 2 in Table 9 presents the results of a hierarchical regression analysis of all modes of control on trust by taking demographic variables into account. For China, the influences of demographic variables in stage 2 disappeared. Input control ($p < 0.001$) and social control ($p < 0.05$) dominate the strong positive relationship between control and trust. Behaviour control and output control do not show any significant effect. For the Russian sample, we find that input control and behaviour control have a positive impact on trust, but the significant levels for both variables were weak ($p < 0.1$). For the Vietnamese sample, only output control was found to have strong positive effect on trust ($p < 0.001$).

Insert Table 9 about here.

Discussion and future research

As we have seen, the outcome of trust (i.e. trusting behaviour) in the context of state-owned banks in China, Russia and Vietnam, differs in terms of (a) subscales and (b) overall levels. The empirical data of this study reveal that the trusting behaviour of managers vis-à-vis employees does not match the three dimensions defined in previous research. Given that trust is socially constituted, in that it is engrained in institutional norms and sanctions (Child, 1998; Creed and Miles, 1996; Zucker, 1986) and in cultural traditions (Bachmann, 2010; Buchan et al., 2006; Lee et al., 2000), it is not surprising to find that what, according to the research literature, leads to trusting behaviour in Western countries is not completely reflected in emerging countries.

Against this background, we have here proposed a composite construct by combining the overlapping items to depict the common ground of trusting behaviour. However, we should bear in mind that with this integrated solution we are unable to handle the multi-faceted nature of trust: trust here is treated as a one-dimensional concept.

Although not explicitly hypothesized, we would have expected on the basis of Hofstede's culture model and culturally-contingent management propositions (Bachmann, 2001;

Langfred and Moye, 2004; Kirkman et al., 2006; Hofstede et al., 2010; Sondergaard, 2006), the level of trust in Vietnam would be higher than in China and Russia because Vietnam scores lower in power distance dimension. The explanation for the opposite result obtained in this study may partially lie in the construct of trusting behaviour. There may be other specific measures in Vietnamese context that were not taken into consideration. The eight items included in the current composite construct exhibit relatively low consistency (.674). In addition, the number of Vietnamese subjects was relatively low (65). In a similar vein, stronger formal control modes did not emerge from the Vietnamese sample in spite of its higher rank in uncertainty avoidance dimension. This need not imply that cultural values do not matter: rather, we suggest, culture interacts with other economic and institutional factors in more complicated ways. More importantly, we should be clear that cultural concept is also a multi-dimensional construct. Most researchers have selected only one or two cultural dimensions from a set of several possibilities in comparative studies, such as the six dimensions of the Hofstede's model (Hofstede et al., 2010), or the nine dimensions from GLOBE study (House et al., 2004). It is possible that the omitted cultural dimensions may also have an effect.

In the present study, we have uncovered the relationship between trust and control in three emerging countries. The results show that trust and control interact in a complementary manner in all the three countries. However, the patterns of the relationship between the trusting behaviour of the managers and the control modes applied vary substantially between countries. In China, trust is positively correlated with input control and social control. In Russia, input control and behaviour control contribute to trust, but the strength of the relationship is relatively weak. In Vietnam, only output control plays a positive role in trusting behaviour.

Trust and control in organizations are inherently complex mechanism. This study has sought to advance our understanding of (a) trust as an inherently context-bound concept and (b) the relationship between trust and various modes of control in three transition economies where our knowledge of how businesses are managed locally is very limited. The findings of this study have also practical implications. They highlight the importance of management differentiation according to country-specific context. As noted above, China, Russia and Vietnam share some similarities – in particular with respect to their transition towards market-oriented economy and opening up for foreign direct investment. From cultural perspective, the national cultures of China and Vietnam are deeply influenced by Confucian social and moral ethics, whereas Russian culture has strong European elements due to its more intense interactions with Europe. When doing business in these emerging countries, it is vitally important to make local management adaptation. For instance, exporting a control system from low power distance cultures (which are still the homes for most multi-national corporations) to large power distance cultures, such as China, requires managers to invest in informal social control in order to obtain the same perceived trust as in their home countries. Because social control taps into affective, informal, personal and relational elements (Ouchi, 1980), the use of this kind of control for building trust is more subtle and likely to be more time consuming than the use of formal control mechanisms.

Here we wish to indicate some limitations of our analysis. First, our method for constructing trusting behaviour to ensure comparability of trust variables in different country-specific contexts did not enable the study to capture the multidimensional structure of trust. Second, the study relates only to the banking sector. It is uncertain whether similar results would be obtained if a broader range of industries were involved. To support generalized conclusions at country level, a broader range of industries is required. Third, the survey method – specifically, the use of two forms of questionnaire (online and pen-and-paper) and, for the Vietnamese sample, the use of English rather than the native language – may

introduce biases. Given the dynamics of the socio-cultural context in emerging countries, more studies are needed to understand the change processes experienced by all types of organizations operating in these emerging economies.

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Table 1Characteristics of four modes of control¹

| Control Mode | Characteristics | Type |
|---------------------|---|-------------|
| Input | Explicit evaluations before hiring. Controller evaluates whether qualification were met. Controller provides training before assuming responsibility. Controlee's involvement in skill development. | Formal |
| Behaviour | Behaviours that transform inputs to outputs are known. Controller monitors and evaluates controlee's behaviors. Explicit link exists between extrinsic rewards and following behaviours. | Formal |
| Output | Desired task outcomes are known and measurable. Controller evaluates whether outcomes were met. Explicit link exists between extrinsic rewards and producing outcomes. | Formal |
| Social | Task-related behaviours and outcomes are not pre-specified. Goals are determined by clan and evolve during the task period. Clan identifies and reinforces acceptable behaviours. Rewards are based on acting in accordance with clan's values and attitudes. Shared experiences, values, and beliefs among the clan members. Members exhibit strong commitment to the clan. | Informal |

¹Based on Kirsch (1996) and Snell (1992).**Table 2**Scores of three cultural dimensions according to Hofstede's model¹

| Cultural dimension | China N=238 | Russia N=147 | Vietnam N=93 |
|---------------------------|------------------------|-------------------------|-------------------------|
| Power distance | 90 | 101 | 64 |
| Individualism | 48 | 73 | 57 |
| Uncertainty avoidance | 15 | 12 | 40 |

¹Respondents were bank employees including managers.

Table 3
Factor analysis for dimensions of trust

| Trust variables in three dimensions (according to Tzafrir and Dolan) | China N=94 | Russia N=81 | Vietnam N=65 |
|--|-----------------------------|------------------------------|-------------------------------|
| Harmony | | | |
| - Employees are known to be successful in the things they attempt to accomplish. | Comp 2 | Comp 2 | Comp 1 |
| - Employees have a lot of knowledge about the work that needs to be done. | Comp 3 | Comp 1 | Comp 2 |
| - Employees express their true feelings about important issues. | Comp 1 | Comp 1 | Comp 2 |
| - Employees would make personal sacrifices for our group. | Comp 1 | Comp 1 | Comp 2 |
| Reliability | | | |
| - Managers' needs and desires are very important to employees. | Comp 1 | Comp 3 | Comp 1 |
| - Employees will keep the promises they make. | Comp 3 | Comp 2 | Comp 2 |
| - Employees really look out for what is important to managers. | Comp 3 | Comp 2 | Comp 3 |
| - Employees' actions and behaviours are not consistent (R). | Comp 2 | Comp 4 | Comp 4 |
| Concern | | | |
| - I can count on employees to help if I have difficulties with the job. | Comp 1 | Comp 3 | Comp 3 |
| - Employees would not knowingly do anything to hurt the organization. | Comp 3 | Comp 4 | Comp 4 |
| - If I make a mistake, my employees are willing to "forgive and forget". | Comp 2 | Comp 2 | Comp 3 |
| Initial Eigenvalue (Cumulative %) | 64.166 | 63.364 | 63.691 |

Note: Comp x (x= 1, 2, 3, or 4) denotes the variable loadings on component (Comp) x in rotate factor matrix.

Extraction Method: Principal Components, extract based on Eigenvalues greater than 1.

Rotation Method: Varimax with Kaiser Normalization.

Table 4

Factor analysis for the composite construct of trusting behavior of the managers

| Trust variables | China | Russia | Vietnam |
|--|--------|--------|---------|
| | N=94 | N=81 | N=65 |
| - Employees are known to be successful in the things they attempt to accomplish. | .747 | .662 | .800 |
| - Employees have a lot of knowledge about the work that needs to be done. | .642 | .834 | .667 |
| - Employees express their true feelings about important issues. | .784 | .694 | .579 |
| - Managers' needs and desires are very important to employees. | .703 | .748 | .800 |
| - Employees will keep the promises they make. | .858 | .504 | .721 |
| - Employees really look out for what is important to managers. | .625 | .840 | .819 |
| - I can count on employees to help if I have difficulties with the job. | .640 | .873 | .647 |
| - Employees would not knowingly do anything to hurt the organization. | .660 | .511 | .750 |
| <i>Cronbach alphas</i> | .817 | .702 | .674 |
| Initial Eigenvalue (Cumulative %) | 57.473 | 63.819 | 72.141 |

Note: Components with less than .50 of communality were removed.

Table 5

Means of control modes and trust

| | Input control | Behavior control | Output control | Social control | Trust |
|-----------------|---------------|------------------|----------------|----------------|--------------|
| China N=94 | 3.94 (.70) | 4.03 (.63) | 3.95 (.75) | 3.92*** (.61) | 3.86 (.49) |
| Russia N=81 | 3.86 (.66) | 3.90 (.61) | 4.09 (.46) | 3.48 (.66) | 3.83 (.40) |
| Vietnam N=65 | 3.58*** (.60) | 3.59 **(.64) | 3.51*** (.64) | 3.37 (.52) | 3.51** (.47) |

Note: Data presented are the means and standard deviations in parentheses;
Differences between means: **p<0.01, *** p<0.001, 2-tailed.

Table 6

Descriptive statistics, reliabilities (in parentheses) and Pearson bivariate correlation between research variables¹, Chinese managers

| Variables | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---------------------------|--------|--------|--------|--------|--------|-------|-------|-------|-------|--------|
| 1. Trust | (.817) | .726** | .643** | .578** | .621** | .025 | .211* | -.045 | .063 | .022 |
| 2. Input control | | (.870) | .820** | .698** | .665** | -.044 | .199 | .013 | -.053 | -.157 |
| 3. Behavior control | | | (.793) | .719** | .623** | -.029 | .262* | -.035 | -.085 | -.206* |
| 4. Output control | | | | (.891) | .734** | -.103 | .107 | .090 | .015 | -.178 |
| 5. Social control | | | | | (.736) | -.121 | .180 | .112 | -.002 | -.148 |
| 6. Age (av 35) | | | | | | | -.079 | -.136 | .077 | .402** |
| 7. Female (38%) | | | | | | | | .113 | .004 | -.047 |
| 8. Higher educ. (79%) | | | | | | | | | .059 | -.050 |
| 9. Number of report | | | | | | | | | | .639** |
| 10. Tenure (av 6.2 years) | | | | | | | | | | |

¹ N=94. *p<0.05; **p<0.01, 2-tailed.

Table 7

Descriptive statistics, reliabilities (in parentheses) and Pearson bivariate correlation between research variables¹, Russian managers

| Variables | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---------------------------|--------|--------|--------|--------|--------|-------|---------|-------|---------|---------|
| 1. Trust | (.702) | .413** | .410** | .215 | .180 | .126 | -.064 | -.192 | .090 | .090 |
| 2. Input control | | (.677) | .600** | .245** | .160 | .039 | -.021 | -.177 | -.032 | .059 |
| 3. Behavior control | | | (.721) | .310** | .330** | .028 | .031 | -.072 | .102 | .149 |
| 4. Output control | | | | (.599) | .107 | -.168 | .018 | -.148 | -.017 | -.051 |
| 5. Social control | | | | | (.608) | -.081 | -.106 | .079 | .318** | -.081 |
| 6. Age (av 39) | | | | | | | -.262** | -.019 | .368** | .698** |
| 7. Female (59%) | | | | | | | | -.016 | -.475** | -.261** |
| 8. Higher educ. (88%) | | | | | | | | | .030 | .058 |
| 9. Number of report | | | | | | | | | | .639** |
| 10. Tenure (av 6.6 years) | | | | | | | | | | |

¹ N=81. *p<0.05; **p<0.01, 2-tailed.

Table 8

Descriptive statistics, reliabilities (in parentheses) and Pearson bivariate correlation between research variables¹, Vietnamese managers

| Variables | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---------------------------|--------|--------|--------|--------|--------|--------|-------|-------|-------|-------|
| 1. Trust | (.674) | .256 | .442** | .572** | .336** | -.292* | -.179 | .232 | -.128 | .007 |
| 2. Input control | | (.506) | .335** | .284** | .149 | -.098 | -.182 | .021 | -.242 | -.142 |
| 3. Behavior control | | | (.624) | .431** | .452** | -.029 | -.089 | .076 | -.047 | .022 |
| 4. Output control | | | | (.668) | .425** | .035 | .035 | .087 | -.145 | .041 |
| 5. Social control | | | | | (.573) | .145 | -.163 | -.012 | .118 | .120 |
| 6. Age (av 28) | | | | | | | -.056 | -.181 | .160 | .228 |
| 7. Female (61%) | | | | | | | | .000 | -.043 | -.063 |
| 8. Higher educ. (85%) | | | | | | | | | -.090 | .041 |
| 9. Number of report | | | | | | | | | | .135 |
| 10. Tenure (av 3.2 years) | | | | | | | | | | |

¹ N=65. *p<0.05; **p<0.01, 2-tailed.

Table 9

Multiple linear regression results (standardized coefficients) of control modes on trust

| Variables | China | | Russia | | Vietnam | |
|------------------|---------|-----------|---------|-------------------|---------|--------------------|
| | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Stage 1 | Stage 2 |
| Age | .020 | .004 | .118 | .190 | -.280* | -.274* |
| Gender (Female) | .221* | .057 | -.018 | -.028 | -.210 | -.189 ⁺ |
| Education | -.070 | -.080 | -.193 | -.117 | .176 | .121 |
| Number of report | .065 | .102 | .056 | -.006 | -.165 | -.089 |
| Tenure | .020 | .155* | -.031 | -.090 | .100 | .028 |
| Input control | | .489*** | | .226 ⁺ | | -.037 |
| Behavior control | | .107 | | .221 ⁺ | | .188 |
| Output control | | .006 | | .106 | | .463*** |
| Social control | | .247* | | .088 | | .113 |
| R^2 | .055 | .606 | .055 | .260 | .191 | .563 |
| Adjusted R^2 | .001 | .564 | -.008 | .167 | .105 | .471 |
| F | 1.023 | 14.362*** | .879 | 2.778** | 2.217 | 6.152*** |

Note: ⁺p ≤ 0.1; *p ≤ 0.05, **p ≤ 0.01, ***p ≤ 0.001.